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CREATING

SAN DIEGO REGIONAL ECONOMIC PROSPERITY STRATEGY

PROSPERITY

SAN DIEGO ASSOCIATION OF GOVERNMENTS



FOR THE SAN DIEGO REGION

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SAN DIEGO REGIONAL ECONOMIC PROSPERITY STRATEGY

Creating a Shared Economic Vision for the San Diego Region

Today we are answering the alarm that sounded throughout the San Diego region in the early 1990s, signaling our worst economic recession in the past 50 years.

We awoke to find a basic restructuring of the region's economy, a dynamic that continues today even as the economy recovers and diversifies.

In the face of intense global competition, local companies are involved in a revolution that is fundamentally changing how they do business. Leading-edge firms are focusing on customer satisfaction, reducing time-to-market, controlling costs, continuously improving product quality, and serving market niches wherever they might be.

Our leadership and people must be focused and engaged, and our infrastructure investments need to help our companies meet the evolving challenges of the 21st century. The Regional Economic Prosperity Strategy recommends 10 action steps and identifies who should carry them out. It represents an emerging consensus on the essential parts of a long-term economic vision for the San Diego region.

To sustain our region's comeback depends on our ability to connect our companies to a world-class infrastructure. Our Strategy to accomplish these objectives is ambitious, yet simple. The Strategy's recommended actions call for infrastructure investment and public policy support to strengthen the region's economic foundation. Our investments will allow the region to reinvent itself, influencing the quality of our economic growth. Above all, our recommended actions are designed to replace and create middle-income jobs that will ensure a rising standard of living for all of our residents.

San Diego Association of Governments
401 B Street, Suite 800
San Diego, CA 92101
(619) 595-5300
www.sandag.cog.ca.us

WHERE WE ARE

CREATING A SHARED ECONOMIC VISION FOR THE REGION

An Alarm Sounds

What a turnaround!

The decade of the 1990s has seen the San Diego region and most of California emerge from the worst economic recession in 50 years. The primary question now is where do we want our local economy to be positioned to seize opportunities and enhance the region's competitiveness in the global marketplace as we enter the 21st century.

The alarm sounded in the San Diego region in the 1990s as job growth declined and long-time residents began to leave. We awoke to find a basic restructuring of the region's economy. This restructuring, which cost the region thousands of high-paying jobs and many of the local businesses that created them, continues today, even as the economy recovers.

In response to the recession and restructuring of the economy, agencies and organizations

throughout the region are mobilizing. Their objectives are to minimize the damage caused by the recession, reduce the recession's effects, and take advantage of the opportunities created by the restructuring.

Crafting a Strategic Assessment System for the 21st Century

SANDAG (the San Diego Association of Governments) and other institutions in the San Diego area report on economic and social conditions, helping to highlight major problems in the region. Yet putting the region on notice is not enough. What is also needed, and what this Prosperity Strategy provides, is a way of measuring the progress, or lack of progress, being made to solve these recognized problems. The Prosperity Strategy provides an ongoing assessment system that is widely understood and



■ *After decades of rapid job growth, accompanied by no increase in our standard of living, the San Diego region received a loud “wake-up” call in the 1990s as the number of jobs and household income declined dramatically.*





accepted in the region as a valid means of judging the area's economic and social well being.

The Prosperity Strategy offers an assessment of the strengths and weaknesses of the San Diego region in two ways:



■ *This strategy is ambitious, recommending specific infrastructure investments and public policy support to facilitate the restructuring of our regional economy.*

Comparative snapshot - how well the San Diego region is doing compared to 20 similar metropolitan regions in other parts of the nation.

Comparative trends - how well the San Diego region is faring over time compared to the larger, more aggregate trends of the state and nation.

Call for Action - A Strategy to Keep Us on Top

Our region's future economic prosperity depends upon a timely response to the challenges we face and our ability to take advantage of the opportunities they offer. This premise has created a Strategy that is ambitious, yet simple. The Strategy's recommended actions call for infrastructure investment and public policy support in order to strengthen the region's economic foundation.

The Strategy's recommended actions are intended to strengthen our existing industries, our emerging growth companies, and our universities and research and development institutions that create new enterprises. These actions represent important opportunities for the region; they are part of the foundation on which our future economic prosperity depends. Above all, these actions are designed to replace and create middle-income jobs that will ensure a rising standard of living.

In addition to benchmarking the San Diego area against similar regions and state and national trends, the ability of the region's collaborative effort to carry out the Strategy's recommended actions is being tracked. These actions call for investment in human and physical infrastructure and changes in public policies that are necessary to meet the region's economic restructuring challenges. Our investments will allow the



region to reinvent itself, influencing the quality of our economic growth.

Challenge to Leadership

How does a region go about carrying out a regional strategy? There may be as many answers to this question as there are regions. The San Diego region has chosen to rely on existing organizations and agencies to implement the Strategy. The Strategy contains a set of recommended actions, in the form of goals, with suggested ways to achieve them. The agency or organization most responsible for carrying out the recommended action is identified and tasked with the responsibility of achieving results.

This process ensures a broad-based collaborative approach and minimizes the problems that arise when a new organization or agency

is formed to oversee the implementation of the recommended actions. By making the Prosperity Strategy an element of the Growth Strategy, SANDAG has inextricably linked economic growth, opportunity and prosperity to quality of life.

The Bottom Line: Livability and Quality of Life

Livability, or quality of life, is the glue that holds this region's story together. In order to maintain and expand the San Diego region's economic vitality, we need to continue to retain the best and brightest people to live and work here. Companies make location decisions, too, and research shows that CEO's are significantly influenced by the quality of life they can expect for themselves, their families, and their employees in a new location.

■ *Our colleges and universities play a dual role in our economy; they are both a well-spring of new emerging growth technology companies and are committed to the lifelong education and training of our residents.*

■ *Now, consensus is emerging on the essential parts of a long-term economic vision for the San Diego region.*

■ *Regions—not cities nor the suburban counties that surround them—will be the units of economic competition.*

■ *How we define our region becomes the basis for defining our region's competitive assets.*

The Prosperity Strategy is an element of SANDAG's Regional Growth Management Strategy, which applies a quality of life approach to growth management. The Growth Strategy establishes quality of life standards and objectives for the region and recommended actions to achieve them. The purpose of the Growth Strategy is to link federal and state mandates and regional initiatives together into a consistent plan. The plan is intended to facilitate decision-making by elected officials on growth-related issues, creating a framework for managing growth in the region.

Preparing for Global and Regional Collaboration

The San Diego-Baja California binational region faces increasing domestic and global competition. Everyone seems to be aware of

globalization, but few understand that regionalization is the other side of the coin. As Neal Peirce, a nationally syndicated columnist, and others have observed, only regions have the necessary scale and diversity to compete in the global marketplace. Regions have an asset profile more capable of competing in the global marketplace than do individual counties or cities, which lack essential infrastructure or a sufficiently skilled pool of labor.

How we define our region becomes the basis for defining our region's competitive assets. Sometimes San Diegans think of themselves as being 'south' of Southern California. We do have a distinct and beautiful geography highlighted by the Pacific Ocean to the west and our mountain empire and sprawling desert to the east. However, from an economic standpoint, our region is directly related to the greater Los Angeles area as a way to access both the domestic and international marketplaces. To our south, we are dependent on Baja California for an important part of our labor pool.

So as we attempt to define ourselves, it is important to recognize how our region is often interrelated to both Los Angeles and Baja California and how these relationships influence our regional economic planning process and decisions. With those relationships, the San Diego region has the scale and diversity to compete.



The San Diego Region's Export Engines

Why are Industrial Clusters Important?

The productivity of regional economies, including ours, depends on the sophistication and efficiency of all of its industries. All industries contribute to determining the output per worker of the economy. However, it is important to distinguish between those industries that are primarily local and those that sell their products and services nationally or internationally.

In the most advanced economies worldwide, one or more industry clusters serve as the driving force of the regional economy. At the core of the cluster are geographic concentrations of interdependent, internationally competitive firms in related industries. Clusters include large companies and small companies, and both domestic and foreign firms.

In addition to selling their products and services locally, cluster firms sell globally



and bring outside dollars into our region.

The prosperity multiplier effect (not employment multiplier) of high tech cluster firms is exceptionally strong.

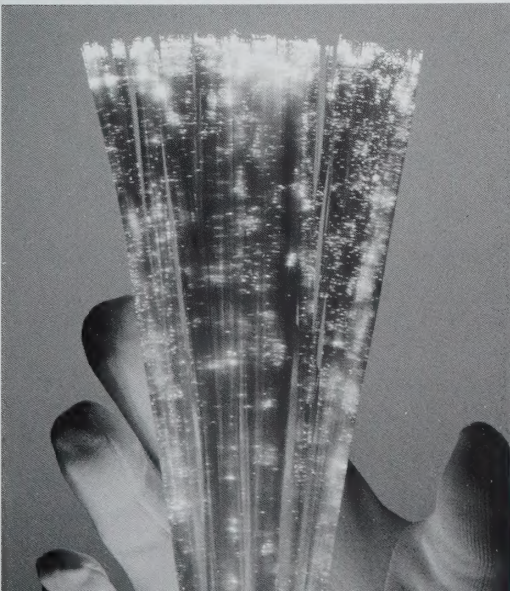
Industries that compete nationally and internationally have far greater long-term growth potential. Opportunities for growth in these industries are not constrained by the size of the local market, and they can expand far beyond it.

Determinants of Competitiveness

At one time, firms competed based on factor costs (e.g., labor, raw materials, capital, infrastructure), and the firm with the lowest factor costs won. The changing nature of com-

■ *Industrial Clusters are groups of complementary, competing, and interdependent industries that drive wealth creation in a region, primarily through export of goods and services.*

■ *Worldwide, industry clusters serve as the driving forces of the most advanced economies.*



■ *The key to rebuilding our middle income jobs is the expansion of employment opportunities in our high value-added cluster industries.*

petition now supersedes this historical model. Globalization allows firms to source factors such as raw materials, capital, and even generic scientific knowledge from international markets, and to locate selective activities overseas to take advantage of low-cost labor. At the same time, technological advances give firms the ability to eliminate, nullify, or circumvent

weaknesses in local factors.

The most dynamic and innovative companies outpace the competition, even those entrenched competitors enjoying economies of scale. Intense competition and close cooperation spur innovation across industries, often spawning the development of entirely new companies and industries. As they develop, cluster firms create demand for new types of products and services, some of which can be supplied by existing or new local firms.

Our Modern Export-Driven Economy

Driving our economy are 16 export-oriented industrial clusters. During 1996, our clusters employed over 331,000 residents, accounting for 32 percent of the region's total employment in that year (1,017,200 jobs).

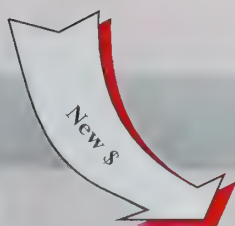
During the recession in the early 1990s, some of our emerging clusters were expanding rapidly, offering new job opportunities at a time when older industries were contracting.

Equally important to creating new jobs are the average earnings per worker in these clusters. Our ability to create wealth and high-quality jobs - to create prosperity - throughout our entire economy is dependent on the health of our regional clusters.



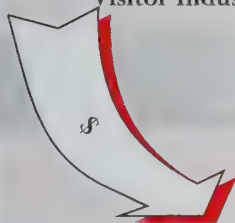
Modern Export-Driven Economy
Cluster Industries are Emerging as the Engines of Economic Activity

DOMESTIC & GLOBAL MARKETS



EXPORT-ORIENTED CLUSTERS

- Biomedical Products
- Biotech & Pharmaceuticals
- Business Services
- Communications
- Computer & Electronics Manufacturing
- Defense & Transportation Manufacturing
- Uniformed Military
- Visitor Industry Services
- Financial Services
- Fruits & Vegetables
- Horticulture
- Medical Services
- Recreational Goods Manufacturing
- Entertainment & Amusement
- Environmental Technology
- Software



Inter-industry transactions



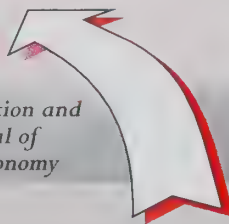
LINKAGE
INDUSTRIES / SUPPLIERS

Industries providing the factors of production for the cluster industries and serving the local market.



Income,
investment
and taxes

Foundation and
potential of
local economy



PUBLIC / PRIVATE
INFRASTRUCTURE SUPPORT

- Human Resources
- Capital Finance
- Technology Research & Development
- Tax & Regulatory Environment
- Physical Infrastructure

■ The San Diego region has 16 export-oriented industrial clusters. Our ability to create wealth and high quality jobs is dependent on the health of our regional clusters.

■ Competitive advantage today is driven by the ability of firms to continuously innovate and upgrade.

■ A salient feature of clusters is that they are self-regenerating.

SOURCE: SANDAG

WHAT WE HAVE

LEVERAGING THE REGION'S ACCOMPLISHMENTS

The recession that began in 1990 throughout this region turned out to be the worst recession in the last 50 years. This economic downturn was the most difficult manifestation of what many observers describe as a basic restructuring of the San Diego area's economy. This restructuring, which cost the region thousands of good jobs, will continue even as the economy recovers.

Fortunately, however, much has already been done to minimize the damage caused by the recession, and to take advantage of the opportunities it created. Numerous projects have been undertaken by both business and government to help the economy.

In response to the recession and restructuring of the local economy, many agencies and organizations throughout the region began to mobilize:

■ *Much is already being done to minimize the damage caused by the recession, and to take advantage of the opportunities it created.*

- The City of San Diego acquired \$5.7 million in defense conversion funds, in part to help fund the San Diego Regional Technology Alliance.
- The San Diego Regional Economic Development Corporation and the University of California San Diego's Connect program joined forces on workforce development issues.
- Elementary school districts and community colleges have started programs such as school-to-career, to prepare students for higher education or entry into the workforce.
- The San Diego Unified Port District recently spent \$237 million to expand the airport, the first expansion since 1979.
- The Greater San Diego Chamber of Commerce, World Trade Center and the San Diego Unified Port District have worked together to develop a trade-related legislative agenda.
- The cities and county, working as SANDAG, and Caltrans continue to improve our road linkages with the Los Angeles goods distribution system and with our major trading partner, Mexico.
- The San Diego County Water Authority is discussing an agreement with the Imperial Irrigation District that would substantially increase the local supply of water.
- Cities and county recycling programs have substantially increased local solid waste capacity.
- The region's fiber optic infrastructure was expanded by \$150 million in private capital improvements during the last two years.

Still, more needs to be done to facilitate the restructuring of the local economy. This report recommends a set of 10 action steps that should be taken, and identifies the most appropriate organizations and agencies to carry out the recommendations. These action steps are categorized into three areas:

- Leadership: Reaching Our Common Goals
- People: Investing In Our Futures
- Infrastructure: Building What We Need

WHAT WE NEED

LEADERSHIP

PEOPLE

INFRASTRUCTURE



ENCOURAGE

COLLABORATIVE

PROBLEM-SOLVING

1

ENCOURAGE COLLABORATIVE PROBLEM-SOLVING

Support the continued development of a collaborative effort by organizations, agencies and other interests to carry out the required investments in human and physical infrastructure and public policy changes necessary to meet our economic restructuring challenges identified in the Strategy.

Our primary goal should be improved economic performance, measured by a rising standard of living. The San Diego region is currently faced with a shrinking middle class. The problem with our region's economy isn't that we've lost jobs; rather, it is that we're trying to survive as an economic region in the 1990s on an income that's lower in real dollars than the income we had in the 1970s. What's worse, we're headed on a track that will keep us at or below this level for the next 20 years.

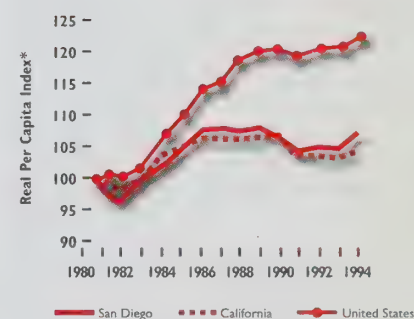
For the San Diego region, a key will be our ability to compete successfully not

only within Southern California, the state and the United States at large, but also with our global competitors in Europe, Asia and Latin America.

Acting as facilitators, the region's various economic development organizations and local governments can create partnerships for investment in needed infrastructure and improve regulatory conditions for business. Local government should continue to work collaboratively with our economic development organizations, labor groups and other interested parties on efforts to encourage the growth of our regional industrial clusters.

■ *The region's standard of living, measured by real per capita income, was lower than both the state and the nation in 1994.*

CHANGE IN REAL PER CAPITA INCOME, 1980-1994
SAN DIEGO REGION, CALIFORNIA AND THE UNITED STATES



SOURCE: U.S. DEPARTMENT OF COMMERCE,
BUREAU OF ECONOMIC ANALYSIS, 1995
*1980=100

CLUSTER AVERAGE ANNUAL
WAGE RATES ('96\$),
1990 AND 1996 SAN DIEGO REGION



SOURCE: EMPLOYMENT DEVELOPMENT DEPARTMENT,
REGIONAL TECHNOLOGY ALLIANCE; SANDAG



PROVIDE SUFFICIENT

URBAN LAND

FOR HOUSING NEEDS

PROVIDE SUFFICIENT URBAN LAND FOR HOUSING NEEDS

The cities, in cooperation with the County, should decide how, if, and when local general and community plans should be amended to accommodate the region's projected residential and employment growth. An adequate supply of employment and residential land is essential to the region's business expansion and retention efforts. Special focus should be given to the needs of the cluster industries targeted in the Partnership for the New Century Economy, an effort spearheaded by the San Diego Regional Economic Development Corporation.

The cities and the County have not designated enough land in their general plans with urban level densities to accommodate forecasted population growth. Without changes to these general plans, the region will not have sufficient urban land available to accommodate its housing needs much past the year 2005. There also is rising concern that an insufficient amount of land is available in specific locations to accommodate the projected growth in our cluster industries.

The San Diego Regional Economic Development Corporation and SANDAG have established an Employment Lands Committee to

1. develop a consensus on our employment land inventory;
2. identify areas that are suitable for business park development;

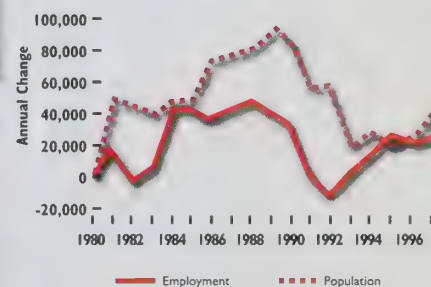
3. identify opportunities for redevelopment and infill development; and
4. develop policy recommendations on methods to increase land supply.

The activities of the Employment Lands Committee should continue to be supported by having its conclusions available for local general and community plan updates. General and community plans should identify:

1. how infrastructure needs can be met and adequate standards maintained as a result of the changes in, or intensification of, uses; and
2. how incentives can be used to assist expanding cluster industries, with special emphasis given to locating on infill and redevelopment sites.

■ *Under current general plans, the region will not have a sufficient supply of urban land available to accommodate its housing needs much beyond the year 2005.*

ANNUAL CHANGE IN POPULATION AND EMPLOYMENT, 1980-1997
SAN DIEGO REGION



SOURCE: CALIFORNIA STATE DEPARTMENT OF FINANCE, 1997;
CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT, 1997;
SANDAG, 1997

■ *Our solutions to accommodate future growth and prosperity should not be limited to the supply of vacant land.*



ATTRACT

VENTURE CAPITAL

RESOURCES

ATTRACT VENTURE CAPITAL RESOURCES

Expand our region's direct access to banking and venture capital resources. The region's economic development organizations should collaboratively identify capital resources and funding opportunities for our emerging industrial clusters.

The disappearance of many of our regional financial institutions has made the unique relationship between local lender and local business a part of our past. As a result, our regional cluster industries, especially those in emerging stages, lack opportunities for direct access to financial institutions.

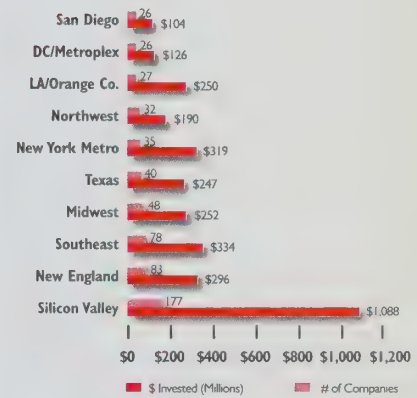
In addition, much of the region's private sector capital improvement funding in the past was provided by large Department of Defense (DOD) contracts. As the region lost jobs associated with defense contracts, we also lost billions of dollars that would be spent for capital improvements. The region is now more dependent on the private venture

capital market for these important capital investment funds.

The San Diego Regional Economic Development Corporation and the San Diego Regional Technology Alliance should work collaboratively with cluster industry associations, like BIOCOM and the AEA, to replace lost capital improvement funds. Financial institutions could be encouraged to create venture capital departments that could become a local source of financial resources. These advocacy organizations should consider setting a goal of establishing a financial/venture capital presence in the region that would eventually replace the lost DOD capital improvement funds.

■ *The success of restructuring parts of our economy will depend on our ability to attract venture capital funds.*

NATIONAL VENTURE CAPITAL INVESTMENT
OVER \$100 MILLION, THIRD QUARTER 1997 UNITED STATES



SOURCE: VENTURE CAPITAL ROUNDUP REPORT,
PRICE WATERHOUSE, 1996-1997

VENTURE CAPITAL INVESTMENT

Venture capital investment in the Silicon Valley was 10 times greater than in the San Diego region, whereas the Los Angeles/Orange County area was about two times greater. The first quarter of 1997 saw a total of \$2.3 billion in capital investments, with \$33 million (1.4 percent of the national total) invested in the San Diego region.

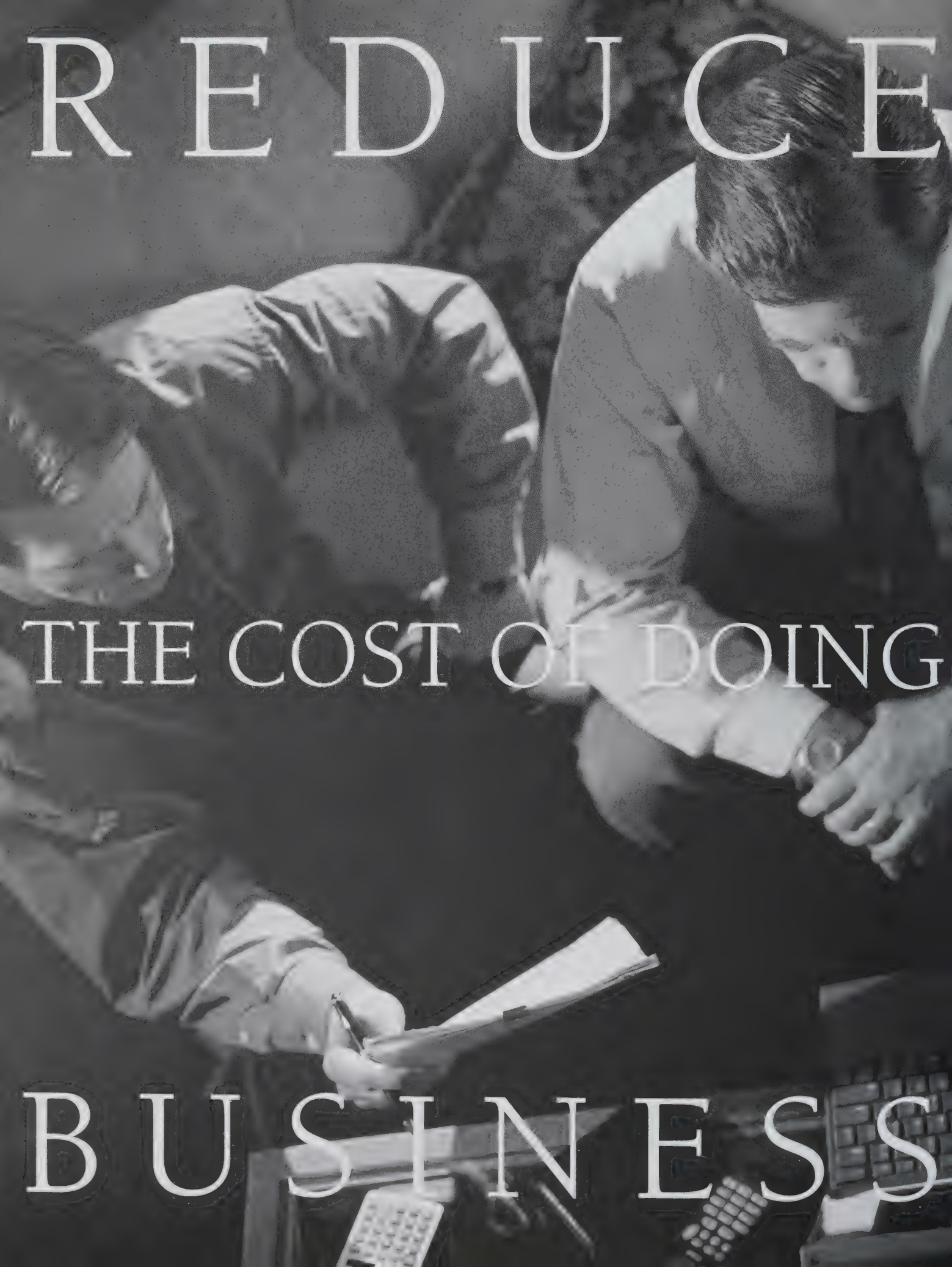
FINANCIAL RESOURCES

In 1996, the region ranked fairly low, at 17th out of 21, for the number of banking institutions per capita, and 19th out of 21 for commercial deposits per capita.

SMALL BUSINESSES

In 1995, the San Diego region contained 73,424 firms, of which 96 percent were small businesses. The region experienced a greater increase in small businesses from 1982 to 1992 than the state.

■ *Our region needs to establish a large and permanent venture capital presence.*



REDUCE

THE COST OF DOING

BUSINESS

REDUCE THE COST OF DOING BUSINESS

Improve the business environment by reducing the costs imposed on business by government.

Local governments in the San Diego region should take the lead in instituting changes necessary to reduce the costs imposed on business by government.

To reduce the regulatory burden on business, most local jurisdictions have acted to streamline or clarify their development and other business-related regulations. To further reduce costs, government should consider actions in two areas: regulatory reform and privatization.

Regulations affecting business should be:

- (a) cost effective,
- (b) administered consistently according to easily understood procedures,
- (c) evaluated periodically to ensure they

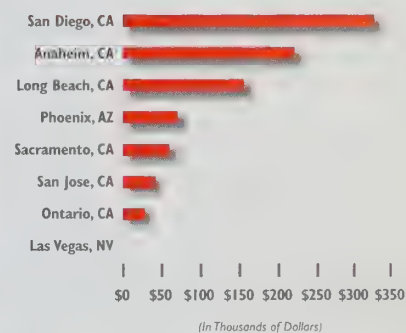
are directed toward and specifically contribute to the standard or objective to be achieved, and

(d) based on achievable and beneficial standards or objectives. This effort will not, and should not compromise environmental standards.

The provision of efficient and reliable public services and facilities should be opened up to competition, since neither the public nor private sector is innately more efficient and reliable than the other. Government should be able to consider both public agency and private sector alternatives, similar to what occurred with the County of San Diego's solid waste services and facilities.

■ *One major challenge for this region is to move beyond the misconception that there is conflict between economic opportunity and environmental health.*

AVERAGE DEVELOPER COSTS:
FEES FOR TYPICAL OFFICE, INDUSTRIAL,
RETAIL AND APARTMENT PROJECTS



SOURCE: KOSMONT SURVEY OF MUNICIPAL BUSINESS FEES, TAXES, AND ECONOMIC INCENTIVES, 1996

■ *The provision of public services and facilities should be opened up to competition.*



CONTINUE

PROGRESS

MEASUREMENTS

CONTINUE PROGRESS MEASUREMENTS

Continue our monitoring process that will result in the periodic evaluation of the region's economy.

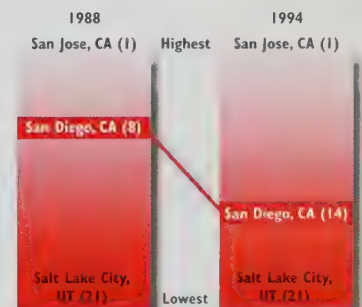
To ensure that the region is headed in the right direction, progress toward achieving regional goals should be specifically evaluated on a regular basis. SANDAG should take the lead in evaluating and monitoring the region's progress.

We should evaluate our success by continuing a monitoring program that quantifies progress toward achieving the goals outlined in the Regional Economic Prosperity Strategy. This program tracks the effects of existing as well as new economic policies and investments, compares our region with other metropolitan areas, and helps determine which areas of our economy have recorded the most progress and which areas might require additional attention. Specific areas of focus should be:

- Ensure a rising standard of living for our region, measured by real per capita income.
- Ensure a more productive labor force by properly educating, training and preparing new entrants.
- Encourage the enhancement and development of regional capital facilities (infrastructure) and public policy changes necessary for expansion and retention of local businesses.
- Encourage the expansion of locally owned businesses that will create job opportunities that require skilled labor.
- Develop of a more refined cross-border economic development strategy.

■ *Highlighting problems and putting the region on notice is not enough to sustain the will and momentum necessary to implement changes. What is needed and what the Prosperity Strategy provides is a way of measuring the progress, or lack of progress, being made to solve these problems.*

PER CAPITA PERSONAL INCOME RANKINGS,
1988 AND 1994 SAN DIEGO REGION
COMPARED TO SELECTED OTHER METROPOLITAN AREAS



SOURCE: U.S. BUREAU OF ECONOMIC ANALYSIS,
SURVEY OF CURRENT BUSINESS, JUNE 1996



DEVELOP WORKFORCE

AND EDUCATIONAL

LINKAGES

DEVELOP WORKFORCE AND EDUCATIONAL LINKAGES

Provide for the establishment of a closer link between workforce requirements and educational programs.

At the K-12 level, several steps can be taken. A broader partnership between businesses in our technology clusters with our K-12 institutions should focus on raising student performance in math and science, and on monitoring student progress in important job skill traits such as on-time attendance and working in groups. Internships for K-12 teachers should be created with our private sector to raise teachers' connectivity with contemporary business practices. The private sector may be able to further boost K-12 districts with financial assistance programs or donations of computer hardware and software.

San Diego's community college districts should continue to work in concert with the private sector, workforce development agencies, and economic development organizations to

meet workforce education and training needs of the region's employers. Private sector board members of community college districts and the San Diego Workforce Partnership should provide direction in workforce development efforts by ensuring that curriculum and employment programs are consistent with requirements of the modern workplace.

The region's research institutions should establish graduate business programs that foster entrepreneurial talents in high technology, enabling entrepreneurs to merge their technical talents and ideas with an understanding of business practices.

Each of these educational efforts should encompass all aspects of our society by expanding programs that reach out and assist underrepresented students with higher education opportunities.

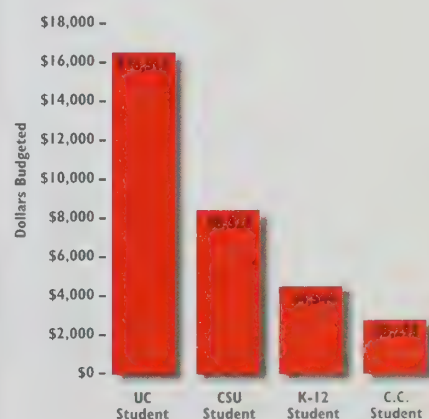
CLUSTER EMPLOYMENT BY INDUSTRY
1990 AND 1996 SAN DIEGO REGION



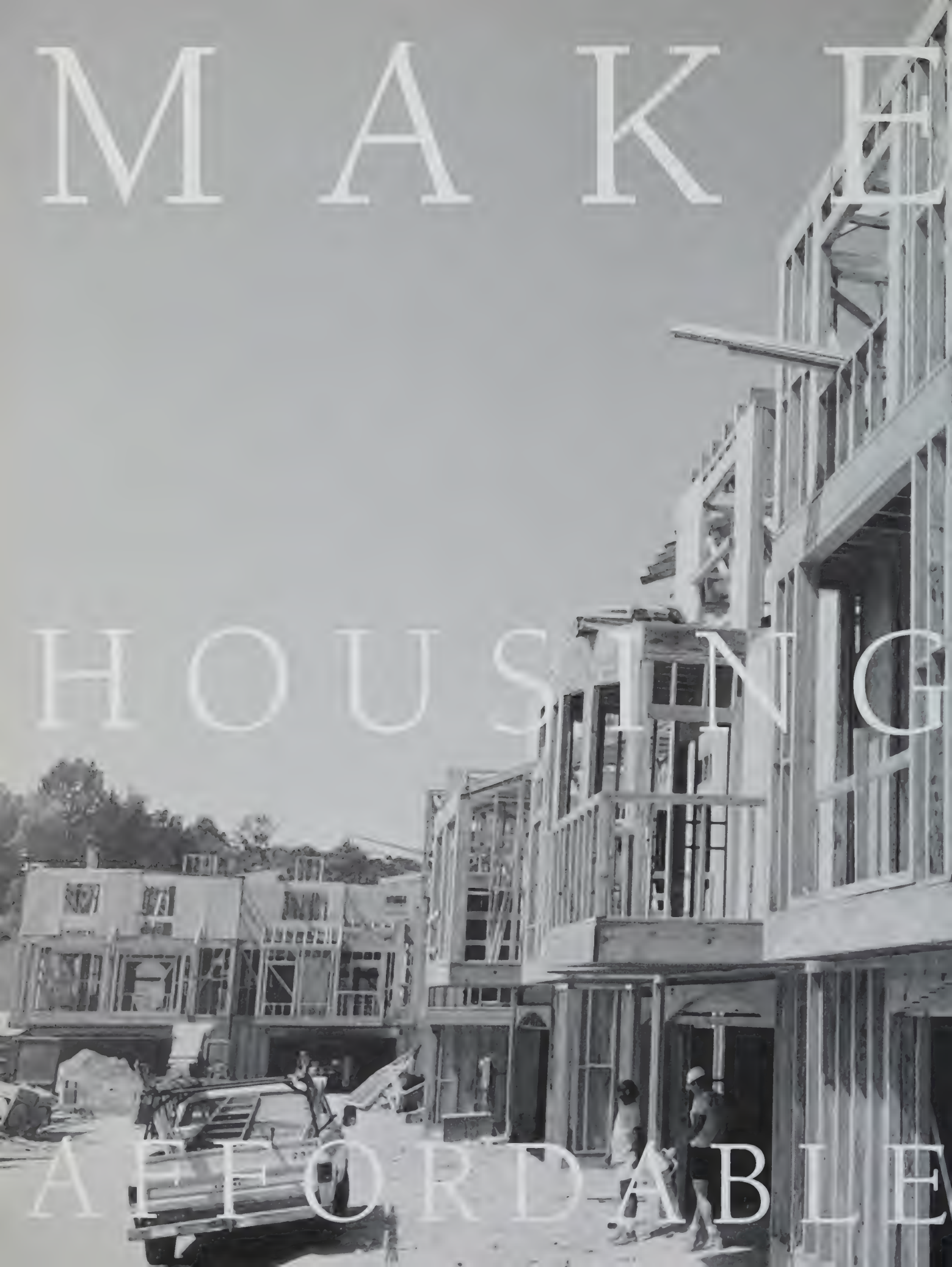
SOURCE: EMPLOYMENT DEVELOPMENT DEPARTMENT, REGIONAL TECHNOLOGY ALLIANCE; SANDAG

■ Our workforce must be prepared to take advantage of opportunities that arise from a restructured economy.

BUDGETED CALIFORNIA STATE EXPENDITURES,
FY 1996/97



SOURCE: LAO ANALYSES (BUDGET), STATE OF CALIFORNIA, 1997



MAKE

HOUSING

AFFORDABLE

MAKE HOUSING AFFORDABLE

Housing affordability needs to be redefined as an economic problem as well as a “land-use” problem. Public policy in the region should recognize that affordable housing is a fundamental determinant of a family’s quality of life.

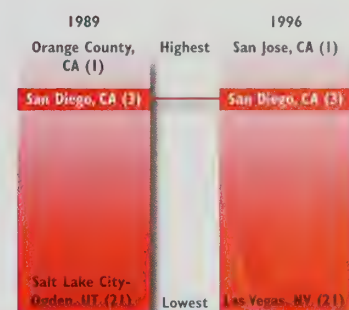
To better address the problem, the region’s residential builders and local governments should focus on the housing needs of communities and neighborhoods within jurisdictions to produce more affordable, market-priced housing. Suggested steps in this kind of program are:

- Curbing litigation problems associated with condominium development, to make this form of affordable housing more available to the region’s residents.
- Analyzing the directional impact of government fees and costs levied on housing, beginning with a comparison of development fees and costs between incorporated and unincorporated communities.
- The cities and County should consider programs to establish low-interest-rate loans for first-time buyers with limited incomes.
- Emphasizing community and neighborhood-based solutions.
- Sponsoring housing design exhibitions to demonstrate the types of units that best meet local market needs.

- Increasing our standard of living, with the annual rate of growth in real per capita income equal to or greater than the nation’s growth rate. Creation of jobs that pay above the regional average will help this trend.
- The cities and the County should act to ensure that there is adequate land for urban development in the region to accommodate the demand for new housing units.

■ *The failure of growth today is the young worker with a family who must drive an hour or two to work each day to find affordable housing.*

TOTAL HOUSING COSTS¹ RANKINGS, 1989 AND 1996 SAN DIEGO REGION COMPARED TO SELECTED OTHER METROPOLITAN AREAS



SOURCE: PLACES RATES ALMANAC (NEW YORK: PRENTICE HALL, 1997)
¹TOTAL HOUSING COSTS = MORTGAGE+UTILITIES+PROPERTY TAXES

HOUSING COSTS

During 1989 and 1996, our region ranked third highest in housing costs compared to the 20 metropolitan areas. Although the average price of a new home in our region declined by 14 percent between 1990 and 1996, it remained 32 percent above the national average. More recently, the average price of a home has been rising rapidly. By the third quarter of 1998 the average price of a new single-family home had risen to \$309,000, a rise of more than 20 percent in one year.

POPULATION GROWTH

Since 1990, the region’s population growth has been about equal to the state, and slightly greater than the nation. Our population growth rate ranks the San Diego region 14th out of 21 comparable metropolitan regions for the period of 1990-1996, compared to ninth of out 21 for the period of 1980 to 1990. Between 1990 and 1996, our population grew at twice the rate of employment.



SOLVING

HAZARDOUS WASTE

STORAGE PROBLEMS

SOLVE HAZARDOUS WASTE STORAGE PROBLEMS

Local and state elected officials should continue to work collaboratively with our federal representatives to resolve the problem of on-site storage of hazardous waste.

The region's many high technology and health care businesses produce low-level radioactive waste during research and production activities. Due to the lack of a low-level radiation waste facility, this material is stored in hundreds of permitted "temporary" low-radiation waste storage sites across the region.

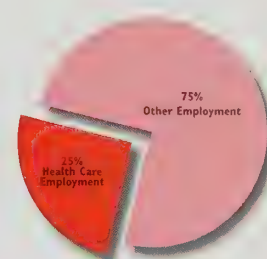
A centralized, secure, state-of-the-art waste disposal facility poses less of a health risk than do hundreds of temporary storage sites. In addition, because these industries contain some of our region's fastest-growing companies, a low-level radioactive waste site is necessary to help retain and encourage

the industry's growth.

The United States Department of the Interior should follow the recommendations of the National Academy of Sciences, which has said that a low-level radioactive waste storage site at Ward Valley poses a negligible threat to the Colorado River basin. Our elected representatives should continue to work with the Department of the Interior to transfer control of the Ward Valley site to the State of California at the earliest possible date.

If Ward Valley fails to be transferred, the State of California should work on locating another suitable disposal site.

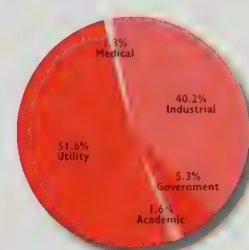
HEALTH CARE CLUSTER EMPLOYEES REPRESENT 25% OF TOTAL CLUSTER EMPLOYMENT IN THE SAN DIEGO REGION



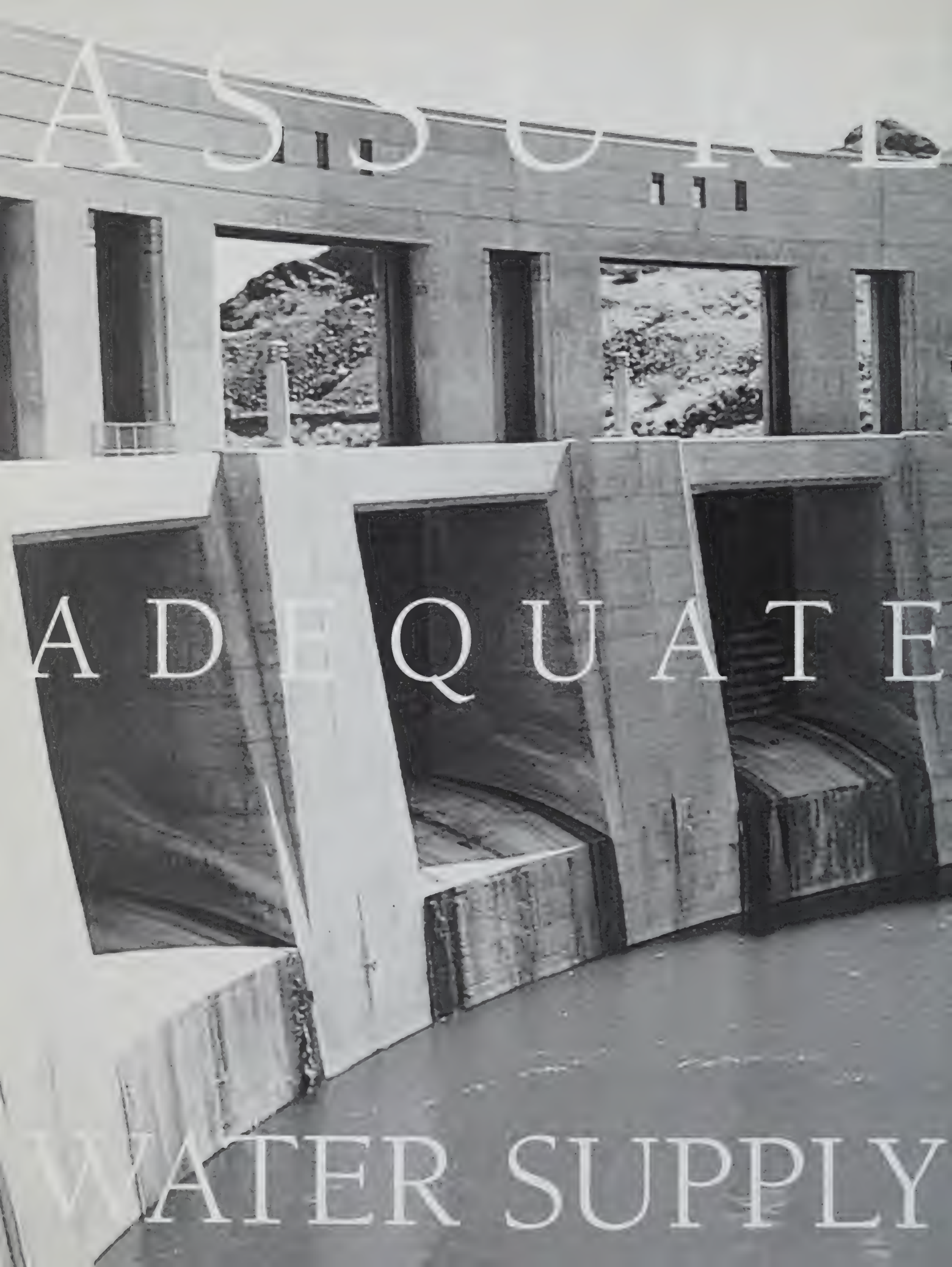
SOURCE: CALIFORNIA COUNTY BUSINESS PATTERNS, 1995

■ *Health care is the largest employer in the San Diego region, and annually brings in the largest share of venture capital funds.*

HEALTH CARE IS RESPONSIBLE FOR 1.3% OF THE ANNUAL LOW RADIATION WASTE.



SOURCE: NATIONAL LOW-LEVEL WASTE MANAGEMENT PROGRAM, 1997, PG. A-98



ASSURE

ADEQUATE

WATER SUPPLY

ASSURE ADEQUATE WATER SUPPLY

Promote public policy changes and investments that continue to diversify the region's sources of water and work with local, state, and federal officials and other interested parties on providing California with a competitive water market. Included in these discussions should be representatives from the Republic of Mexico.

Imported water is an essential resource in the development of the San Diego region. There are several ways the San Diego County Water Authority (CWA) can provide the region with a safe, adequate water supply. These include:

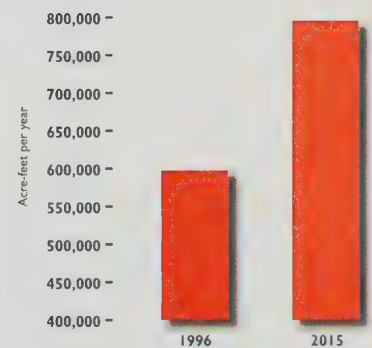
- Continue efforts to purchase water from the Imperial Irrigation District in order to strengthen and diversify our regional water supply.
- Maintain the capital improvement program that has strengthened the region's water-carrying infrastructure and provides a more adequate emergency water storage system.
- Serve as an advocate for the development of a competitive water market within California that

includes water sources from throughout the state and region.

- Work with the private sector and agricultural users on water conservation, and the general public on reclamation and re-purification.
- Continue discussions with Mexico, through the Tijuana/San Diego Border Water Council, on water-related issues that are mutually beneficial. The primary water supply for both regions is imported water from the Colorado River. The Border Water Council enables effective, cross-border communication on water issues, and this effort should examine joint opportunities for meeting the region's future water supply needs.

■ *The State of California needs to move toward an open, competitive water market.*

PROJECTED REGIONAL WATER DEMAND, 2015
SAN DIEGO REGION



SOURCE: CWA, 1997

■ *A highly reliable water supply is vital to ensure growth and prosperity in the Baja/San Diego region.*



EXPAND

INTERNATIONAL

TRADE CAPABILITIES

EXPAND INTERNATIONAL TRADE CAPABILITIES

Improve the collaborative effort on the part of private sector organizations and government agencies that are jointly responsible for maintaining and improving the region's access to domestic and international markets. Included in these discussions should be representatives from the Republic of Mexico.

The San Diego Unified Port District is the agency most responsible for maintaining or influencing the region's trade-related infrastructure in three important areas: our airport, water port and rail linkages. It must initiate several steps if our region is to take advantage of the most rapidly growing sector of the nation's economy, international trade, including the following:

- Work collaboratively with the Marine Corps Recruit Depot and the Department of Defense to ensure that Lindbergh Field can accommodate current and projected passenger and cargo demands in the region.
- Improve the region's water port facilities to accommodate larger classes of cargo ships.
- Research opportunities offered by barging goods between the ports of LA/Long Beach/San Diego and/or Ensenada.
- Work on both sides of the border with binational planning and

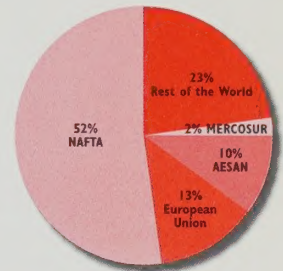
economic development organizations for reopening of the San Diego and Arizona Eastern railway.

In addition, SANDAG and Caltrans should continue to pursue programs that improve our road linkages with the Los Angeles goods distribution system and with Mexico, beginning with improvements to State Route 905.

Finally, agencies with infrastructure items under their control or that are responsible for the funding and planning of infrastructure pieces, should prioritize capital improvements on a regional level.

Helping foster a sustainable, prosperous San Diego region is the bottom line for the Regional Economic Prosperity Strategy. The Strategy focuses on retaining and expanding local businesses, creating more well-paying jobs, and preparing our residents to fill these jobs. The primary objective is to increase, through these jobs, personal income, and thus raise the standard of living for all of the region's residents.

REGIONAL EXPORTS TO
MAJOR TRADING BLOCS
1996



SOURCE: DRI MCGRAW HILL, 1997

■ *The prosperity of the local and national economy is increasingly dependent on access to world markets. If we want world class businesses, we must provide them with world class infrastructure.*

SAN DIEGO'S REGIONAL PER CAPITA ANNUAL
CAPITAL IMPROVEMENT EXPENDITURE VS.
NATIONAL PER CAPITA INFRASTRUCTURE DEFICIT, FY 1997



SOURCE: AMERICAN SOCIETY OF CIVIL ENGINEERS, 1997;
AND AGENCY CAPITAL IMPROVEMENT BUDGETS, 1997

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The 18 cities and county government are SANDAG serving as the forum for regional decision-making. The Association builds consensus, makes strategic plans, obtains and allocates resources and provides information on a broad range of topics pertinent to the San Diego region's quality of life.

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as of January 7, 1999



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**ASSOCIATION OF
GOVERNMENTS**

401 B Street, Suite 800
San Diego, CA 92101
(619) 595-5300

www.sandag.cog.ca.us